

Message Text

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67

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 L-03 /097 W
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R 171230Z JUL 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 013

UNCLAS NEW DELHI 9633

E.O. 11652: N/A

TAGS: EFIN IN

SUBJECT: GOI MOVE ON EXPORT CREDIT ON PRIORITY BASIS

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS
FROM BOMBAY JUL 16 IS REPEATED

QUOTE

BOMBAY 1757

E. O. 11652: N/A

TAGS: EFIN, IN

SUBJ: GOI MOVE ON EXPORT CREDIT ON PRIORITY BASIS

1. INAUGURATING A SYMPOSIUM ON "EXPORTS OF ENGINEERING
GOODS" ORGANIZED BY THE INDIAN COUNCIL OF FOREIGN TRADE IN
BOMBAY ON JULY 14, GOI FINANCE MINISTER C. SUBRAMANIAM
SAID THAT EXPORT CREDIT IS NOW BEING TREATED AS A PRIORITY
SECTOR FOR THE PURPOSE OF BANK CREDIT TO BOOST INDIA'S
EXPORT EARNINGS.

2. THE GOI HAS SET UP A HIGH POWERED STANDING COMMITTEE ON
EXPORT FINANCE UNDER THE CHAIRMANSHIP OF A DEPUTY
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GOVERNOR OF THE RESERVE BANK TO DEAL WITH THE GENERAL

PROBLEMS FACED BY EXPORTERS WITH REGARD TO EXPORT FINANCE, HE SAID, AND PROCEDURES REGARDING EXPORTS ON DEFERRED PAYMENT TERMS HAD NOW BEEN SIMPLIFIED, WITH INDUSTRIAL DEVELOPMENT BANK OF INDIA AS THE FOCAL POINT FOR PROCESSING OF PROPOSALS. REFERRING TO ENGINEERING GOODS EXPORT, SUBRAMANIAM SAID THAT THE IDB FACILITY IS IN ADDITION TO EXISTING GOI ASSISTANCE TO ENGINEERING FIRMS.

3. SUBRAMANIAM NOTED THAT DESPITE AN ENCOURAGING GROWTH OF 26 PERCENT IN EXPORTS IN IFY 1973-74 AND 28.9 PERCENT IN IFY 1974-75, THE TRADE GAP INCREASED SUBSTANTIALLY IN THE LAST TWO YEARS WITH DEFICITS OF RS. 4.02 BILLION (\$502 MILLION) IN IFY 1973-74 AND RS. 10.96 BILLION (\$1.37 BILLION) IN IFY 1974-75. HE FELT THAT PART OF THE GAP COULD BE NARROWED THROUGH INCREASED INFLOW OF EXTERNAL ASSISTANCE AND THROUGH SIZABLE DRAWING FROM IMF OIL FACILITY. HOWEVER, HE CAUTIONED THAT SINCE IMF DRAWINGS HAD TO BE REPAID IN A PERIOD OF 3 TO 7 YEARS, THE VIABILITY OF INDIA'S BALANCE OF PAYMENTS IN THE MEDIUM TERM WOULD GREATLY DEPEND ON THE ABILITY TO INCREASE ITS EXPORTS AT A MUCH FASTER PACE THAN IN THE PAST.

4. THE MINISTER AGREED THAT INDIAN EXPORTS HAVE INCREASED SIGNIFICANTLY IN PAST SIX YEARS ONLY IN VALUE AND NOT MORE THAN 4 PERCENT IN VOLUME. JUST AS WORLD INFLATION BALOONED EXPORT EARNINGS, RECENT DECLINE IN INTERNATIONAL PRICES OF COMMODITIES SUCH AS SUGAR AND TEXTILES WOULD CAUSE SETBACK TO INDIAN EXPORT PERFORMANCE UNLESS PROMOTIONAL EFFORTS ARE REVITALIZED.

5. THE HOPEFUL ELEMENT, ACCORDING TO SUBRAMANIAM, WAS THE FACT THAT INDIA IS CURRENTLY ABLE TO SUPPLY WORLD MARKETS A WHOLE RANGE OF SOPHISTICATED PRODUCTS AT COMPETITIVE PRICES WITH INDIA'S COMPETITIVENESS ENHANCED BY STEEP INCREASES IN WAGE COSTS OF DEVELOPED NATIONS. HE ALSO SAID THAT "THE INFLATION RATE IN INDIA WAS UNDOUBTEDLY ONE OF THE LOWEST IN THE WORLD." HE FELT THAT WITH THE AVAILABLE RESOURCES AND TECHNICAL COMPETENCE, INDIA CAN UNDERTAKE TURNKEY PROJECTS OVERSEAS, PARTICULARLY IN WEST ASIA

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AND OTHER DEVELOPING COUNTRIES WHERE INDIAN TECHNOLOGY WOULD BE IDEALLY SUITED. WITH SUCH OPPORTUNITIES AND AVAILABILITIES, SUBRAMANIAM EXPECTS EXPORT BREAKTHROUGH SOON AND EMPHASIZED THAT THE TARGET OF 10 PERCENT IN TERMS OF VOLUME FIXED BY THE FINANCE MINISTRY AND ENDORSED BY THE PRIME MINISTER IS WITHIN INDIA'S REACH.

6. SUBRAMANIAM EXPECTS THE WORST PHASES OF WORLD RECESSION

TO CLEAR UP BY MID-1976. MOREOVER, IN HIS OPINION, THE USE OF GENERALIZED SCHEME OF PREFERENCES BY DEVELOPED NATIONS TO PURCHASE SEMI-FINISHED AND FINISHED GOODS FROM DEVELOPING NATIONS SHOULD OPEN GREATER OPPORTUNITIES FOR INDIAN EXPORTS. HE ALSO FELT THAT REOPENING OF THE SUEZ CANAL HAD FURTHER ENHANCED THE COMPETITIVENESS OF INDIAN EXPORTS IN THE MARKETS OF WESTERN EUROPE AND NORTH AMERICA, ALTHOUGH HE ADMITTED THIS MIGHT LEAD TO INCREASED COMPETITION TO INDIAN GOODS EAST OF SUEZ.

7. FINALLY, SUBRAMANIAM CALLED FOR VIABLE EXPORT POLICY THAT SHOULD NOT INVOLVE MASSIVE AMOUNTS OF BUDGETARY SUBSIDIES IN SUPPORT OF EXPORT PROMOTION YEAR AFTER YEAR. ACUTE SCARCITY OF DOMESTIC SAVINGS RULE OUT POSSIBILITIES OF FISCAL CONCESSIONS BY GOI IN YEARS AHEAD. HE ALSO APPEALED TO EXPORTERS TO ATTUNE THEIR STRATEGY TO THE NEEDS OF THE OTHER NATIONS RATHER THAN BASING IT ON SURPLUS PRODUCTS INDIA HAS TO SELL. SIGNED BANE

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